

Message Text

CONFIDENTIAL

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ACTION AF-04

INFO OCT-01 SS-14 ADP-00 EB-03 EUR-10 NSC-10 NSCE-00

CIAE-00 INR-09 NSAE-00 RSC-01 TRSE-00 L-02 PRS-01

FRB-01 OMB-01 RSR-01 (ADP) W

----- 049317

R 140625 Z MAR 73

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 8656

INFO AMEMBASSY LONDON

C O N F I D E N T I A L LUSAKA 490

LIMDIS

E. O. 11652: GDS

TAGS: EFIN, US, ZA

SUBJ: SYNDICATED LOAN FOR ZAMBIA

REF: LUSAKA 438

1. CHARLES BILLMYER, HEAD OF BANK OF AMERICA (BA) DELEGATION IN ZAMBIA TO NEGOTIATE EURODOLLAR LOAN (REFTEL), TOLD EMBOFF MARCH 12 THAT, " AFTER WORST NEGOTIATIONS " HE HAD EVER EXPERIENCED, TENTATIVE AGREEMENT WAS REACHED FOR 50 MILLION DOLLAR LOAN OVER SEVEN YEAR TERM WITH TWO YEARS GRACE (POSSIBLY TO BE INCREASED TO THREE) AT ONE AND ONE- HALF PERCENT ABOVE EURODOLLAR PRIME. HE NOW PREPARING LEAVE ZAMBIA TO MARKET LOAN WHICH HE FEELS WILL NOT BE EASY.

2. BA DELEGATION HAD TWO MAJOR PROBLEMS IN NEGOTIATIONS, APPARENTLY NOT BRIEFED MINFINANCE OR OTHER GRZ OFFICIALS ABOUT " UNDERSTANDING " HE HAD REACHED WITH BA IN LONDON MEETINGS. THIS MEANT BA DELEGATION HAD TO NEGOTIATE ESSENTIALLY FROM SCRATCH IN WEAK BARGAINING POSITION (THEY HAD ALREADY MADE THEIR BEST OFFER TO KUWANI).

3. SECOND PROBLEM CAME AS EVEN GREATER SURPRISE. ACCORDING BILLMYER, WHO WAS CITING GRZ AS WELL AS BA SOURCES, FIRST
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NATIONAL BANK OF CHICAGO (FNBC) REP KARL ZIEGLER (LUSAKA 445) JUMPED TO CONCLUSION AFTER MEETINGS WITH GRZ THAT HIS BANK HAD GREEN LIGHT TO ATTEMPT MARKET LOAN. FNBC THEN BEGAN FEELING OUT OTHER BANKS IN SUCH WAY THAT LATTER GOT IMPRESSION FNBC INDEED HAD MANDATE. WORD GOT BACK TO BA (WHICH, LIKE FNBC, HAD NOT KNOWN OF ITS COMPETITOR' S PRESENCE IN LUSAKA), AND BA NATURALLY SUSPECTED GRZ WAS DOUBLE- DEALING. WHEN GRZ WAS CONFRONTED WITH THIS STORY, ITS OFFICIALS HEATEDLY DENIED FNBC HAD ANY AUTHORIZATION; THEY HAD ONLY TALKED TO ZIEGLER " BECAUSE U. S. EMBASSY HAD REQUESTED APPOINTMENT ON HIS BEHALF." GRZ OFFICIALS MADE CLEAR FNBC IN GENERAL, AND ZIEGLER IN PARTICULAR, WERE NOW ON THEIR BLACK LIST, AND THEY INTENDED DELIVER " PROTEST" (CONTENTS UNSPECIFIED) TO EMBASSY. BILLMYER SAID EPISODE IRONICALLY FORCED GRZ TO CONCLUDE NEGOTIATIONS QUICKLY AND TO CONCEDE MORE THAN IT OTHERWISE MIGHT HAVE. AS FOR BA, DIFFICULTY NOW WOULD BE IN MARKETING BONDS IN INTERNATIONAL FINANCIAL COMMUNITY FOR WHICH ZAMBIA UNDERSTANDABLY HAS LOST SOME CREDIBILITY. TO ASSIST IN THIS EFFORT, PERMSEC FINANCE EPHRAIM CHIBWE WILL BE GIVING BILLMYER LETTER OF AUTHORIZATION TO PRESENT TO PROSPECTIVE SYNDICATE PARTNERS.

4. REMAINS BE SEEN WHETHER GRZ " PROTEST" IS MADE TO EMBASSY. CONCEIVABLY THERE COULD BE ZAMBIAN EFFORT PLACE PART OF BLAME FOR MISGUIDED FNBC MOVES ON EMBASSY, THOUGH OUR ROLE STRICTLY LIMITED TO ARRANGING APPOINTMENT FOR ZIEGLER AS WE HAD DONE FOR BILLMYER (POINT WHICH BILLMYER SAID HE MADE TO ZAMBIANS). WE DID NOT, OF COURSE, MENTION THE PRESENCE OR PLANS OF EITHER TO THE OTHER OR TO ANYONE ELSE.
NELSON

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